4 FAH-3 H-540 PAYROLL DEDUCTIONS AND CONTRIBUTIONS

(CT:FMP-71;   04-23-2013)
(Office of Origin: CGFS/FPRA/FP)

4 FAH-3 H-541 GENERAL

(CT:FMP-65;   08-29-2011)

This subchapter provides guidance related to mandatory and voluntary deductions from employee salaries, contributions from employers, and other payroll deductions.

4 FAH-3 H-541.1 Scope and Applicability

(CT:FMP-65;   08-29-2011)

a. This subchapter is applicable to U.S. citizen employees and locally employed staff (LE staff). LE staff categories are defined in 3 FAM 7120.

b. Payroll deductions are those mandatory and voluntary items that are reductions from the gross pay of an employee. Payroll contributions are those payroll-related costs that are borne by the employer, such as the Hospital Insurance (HIT) or Federal Insurance Contributions Act (FICA) employer tax, the employer's funding for the Thrift Savings Plan (TSP), and the employer contributions to the retirement systems. Employees may also make allotments of pay for authorized purposes.

4 FAH-3 H-541.1-1 Mandatory Deductions

(CT:FMP-65;   08-29-2011)

a. Mandatory deductions for U.S. citizen employees include:

   (1) Withholding of U.S. Federal, State, and local income taxes;

   (2) Deduction for U.S. Social Security taxes, Foreign Service retirement, Civil Service retirement, Federal Employees' Group Basic Life Insurance (FEGLI), Federal Employees Health Benefits (FEHB); and

   (3) Court-ordered garnishments and bankruptcy payments.

b. Mandatory deductions for U.S. citizen personal services contractors (PSCs)

include U.S. Federal, State, and local income taxes, U.S. Social Security taxes, and court-ordered garnishments and bankruptcy payments.

c. Mandatory deductions for the Civil Service Retirement System (CSRS) are made from the salary of those LE staff enrolled in that retirement system. U.S. Federal income tax and U.S. Social Security taxes are withheld on LE staff employees and personal services contractors who are U.S. permanent resident aliens (i.e., holders of green cards). Deductions are mandatory for local retirement, life, health, or other benefits when coverage is required by local law.

d. Payments to U.S. citizen employees are subject to U.S. Federal income tax and U.S. Social Security taxes. Deductions are also mandatory for local retirement, life, health, or other benefits when coverage is required by local law.

4 FAH-3 H-541.1-2 Voluntary Deductions

(CT:FMP-65; 08-29-2011)

a. Voluntary deductions from the pay of eligible U.S. citizen employees are made in accordance with requests for investment in the Thrift Savings Plan (TSP), repayment of TSP loans, FEGLI optional life insurance, The Federal Flexible Spending Account Program (FSAFEDS), Federal Employees Dental and Vision Insurance Program (FEDVIP), and Federal Long Term Care Insurance Program (FLTCIP).

b. Voluntary deductions are made from the salaries of LE staff employees, personal services contractors, and employees under a personal services agreement (PSA) who participate in optional programs.

4 FAH-3 H-541.1-3 Other Deductions

(CT:FMP-65; 08-29-2011)

The payroll system makes deductions for indebtedness to the United States. Deductions are made from the salaries and wages applicable to all employees when determined to be legal and required or authorized by law or regulations for reasons including, but not limited to:

(1) Repayment of overpayment of salary or erroneous payment;

(2) Repayment of outstanding travel advances;

(3) Refunds of lump-sum payments; and

(4) Satisfaction of Federal income tax levies.

4 FAH-3 H-541.1-4 Prohibited Deductions

(CT:FMP-65; 08-29-2011)

Foreign taxes or other assessments are not withheld from the locally employed staff (LE staff), personal services contractors (PSCs), or employees under personal services agreement (PSA) salaries except when required under local law. See 4 FAH-3 H-541.1-1d and 3 FAM 7370. LE staff, PSCs and PSA employees are individually responsible for the payment of taxes imposed by the government of the host country. A post should not assume any obligation or responsibility to withhold taxes levied by the host government, except where, and in a manner, specifically approved by the Department of State. In handling requests to withhold taxes post must not give the impression the U.S. Government wishes to preclude or discourage its employees from complying with the laws of their countries.

4 FAH-3 H-541.1-5 Allotments of Pay

(CT:FMP-65; 08-29-2011)

An employee may make allotments of pay for purchase of prior years of CSRS service credit, TreasuryDirect savings (U.S. Savings Bonds), Combined Federal Campaign (CFC) contribution, union dues, and other purposes (see 4 FAH-3 H-548).

4 FAH-3 H-541.2 Authorities

(CT:FMP-65; 08-29-2011)

Guidance for payroll deductions and contributions is based on the following:

(1) Chapter 8 and section 408 of the Foreign Service Act of 1980, as amended;

(2) 5 U.S.C. 5516; 5 U.S.C. 5517; 5 U.S.C. 5520; 5 U.S.C. 5525; 5 U.S.C. 8334; 5 U.S.C. 8422; 5 U.S.C. 8423; 5 U.S.C. 8432 - 5 U.S.C. 8440; 5 U.S.C. 8701 - 5 U.S.C. 8716; 5 U.S.C. 8901 - 5 U.S.C. 8913; 26 U.S.C. 3101 - 3121; 26 U.S.C. 3401 - 26 U.S.C. 3406; 26 U.S.C. 6331; and 42 U.S.C. 405;

(3) 5 CFR; 22 CFR; 26 CFR; 31 CFR; 48 CFR; and

(4) Treasury Financial Manual (TFM) - 1 TFM 3-3000 through 3-7000.

4 FAH-3 H-541.3 Definitions

(CT:FMP-65; 08-29-2011)

In addition to the definitions contained in the 3 FAM 7120, the following definitions apply to this subchapter.

(1) **Allotment of Pay:** An authorization by an employee for a recurring

payroll deduction from salary or wages, for a specified dollar amount, to be paid to a designated person or organization, or credited to a financial institution designated by the employee.

(2) **Beneficiary:** Person or persons receiving a benefit or other payment under Federal law, other than a payment of salary or wages.

(3) **Compensation:** Wages and payment due an employee, a personal services contractor (PSC) or an employee under a personal services agreement (PSA).

(4) **Gross Pay:** Total monetary payment due an employee, PSC, or PSA, for services before any mandatory or voluntary deductions are effected.

(5) **Net Pay:** The amount of monetary payment paid to an employee, PSC, or PSA after all mandatory and voluntary payroll deductions and any allotments of pay.

4 FAH-3 H-541.4 Order of Precedence for Payroll Deductions

(CT:FMP-65; 08-29-2011)

The following is the order of precedence under applicable law and regulation for deductions when gross pay (earnings) of an employee is not sufficient to permit all mandatory and voluntary deductions. It may be changed if a bankruptcy court specifies otherwise under the bankruptcy laws of the United States (see 11 U.S.C.) For additional guidance, refer to the Chief Human Capital Officers Council PPM-2008-01, Order of Precedence When Gross Pay is not Sufficient to Permit All Deductions.

(1) First grouping of deductions:

(a) Retirement deductions for defined benefit plan (including Civil Service Retirement System/Federal Employees Retirement System (CSRS/FERS) basic benefit or Foreign Service Retirement and Disability System/Foreign Service Pension System (FSRDS/FSPS) basic benefit;

(b) Social security (OASDI) tax;

(c) Medicare tax;

(d) Federal income taxes authorized or required to be withheld by the Internal Revenue Service regulations;

(e) Basic health insurance premium for the current pay period, and up to one prior pay period (including Federal Employees Health Benefits premium—pre-tax or post-tax—or premium for similar benefit under another authority);

(f) Basic life insurance premium (including Federal Employees' Group Life

Insurance–FEGLI—Basic premium or premium for similar benefit under another authority);

(g) State income tax authorized or required by law to be withheld; and

(h) Local (e.g., county or city) income tax authorized or required by law to be withheld.

(2) Collection of debts owed to the U.S. Government (e.g., tax debt, salary overpayment, levies by the Internal Revenue Service for back Federal income taxes (except when a garnishment for support for minor children ordered prior to a back tax levy takes priority over the back tax levy));

(3) Indebtedness due the United States (see 4 FAM 490);

(4) Court-ordered collection/debt:

(a) Child support (may include attorney and other fees as provided for in 5 CFR 581.102(d));

(b) Alimony (may include attorney and other fees as provided for in 5 CFR 581.102(e));

(c) Bankruptcy; and

(d) Commercial garnishments.

(5) Optional benefits:

(a) Health Care/Limited-Expense Health Care Flexible Spending Accounts (pre-tax benefit under FedFlex or equivalent cafeteria plan;

(b) Dental (pre-tax benefit under FedFlex or equivalent cafeteria plan);

(c) Vision (pre-tax benefit under FedFlex or equivalent cafeteria plan);

(d) Health Savings Account (pre-tax benefit under FedFlex or equivalent cafeteria plan);

(e) Optional life insurance premiums (FEGLI optional benefits or similar benefits under other authority);

(f) Long-term care insurance premiums;

(g) Dependent-Care Flexible Spending Accounts (pre-tax benefit under FedFlex or equivalent cafeteria plan);

(h) Thrift Savings Plan (TSP):

1. Loan payments;

2. Basic contributions; and

3. Catch-up contributions; and

(i) Other optional benefits.

(6) Voluntary deductions or allotments for such purposes as provided by regulation—such as the Combined Federal Campaign, dues to a labor

organization, voluntary alimony or child support payments, savings, voluntary repayment of indebtedness to the United States—and for other purposes approved by the Department of State; and

(7) IRS paper levy.

4 FAH-3 H-542 RETIREMENT

4 FAH-3 H-542.1 Foreign Service Retirement

(CT:FMP-65; 08-29-2011)

There are two Foreign Service retirement systems: the Foreign Service Retirement and Disability System (FSRDS) and the Foreign Service Pension System (FSPS).

4 FAH-3 H-542.1-1 Authorities

(CT:FMP-65; 08-29-2011)

a. Chapter 8 of the Foreign Service Act of 1980, as amended (22 U.S.C. 4041 - 22 U.S.C. 4071k); and

b. 3 FAM 6000, Retirement.

4 FAH-3 H-542.1-2 Rates

(CT:FMP-71; 04-23-2013)

a. FSRDS employees pay and the employer contribute a percent of basic pay into the Foreign Service Retirement and Disability Fund. The applicable percentages are found in 22 U.S.C. 4045 and 3 FAM 6130.

b. For employees in FSRDS-Offset (retirement codes G or H), the FSRDS employee deduction rate that would otherwise be applicable to the employee is reduced by the OASDI tax rate until wages each year reach the social security contribution and benefit base. Then, the rate reverts to the full FSRDS deduction rate for the remainder of the year. There is no reduction in the employer contribution rate.

c. The deduction rate for FSPS employees is found in 22 U.S.C. 4071e. The employer contribution is the normal cost percentage, less the percentage the employee pays. The employer contribution rate is determined in accordance with 22 U.S.C. 4071f.

d. The employer contribution rate for the FSPS is based on an actuarial valuation, conducted annually at the Department's request, to determine the actuarial liability and the annual expense, including the required disclosure information, for the Department's annual financial statements in accordance with Statement

of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government and SFFAS No. 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates. The steps for agency contribution increases are:

(1) Annual report from the actuarial firm contracted by the Department showing the valuation of the funds as of the end of the applicable fiscal year accepted by stakeholders in the *Bureau of* Budget *and Planning* (*BP*); the Office of the *Principal Deputy Comptroller and* Deputy Chief Financial Officer (*CGFS/DCFO*); and the Office of Retirement (HR/RET);

(2) Meeting between all stakeholders to review actuarial report (and draft decision memo to the Chief Financial Officer (CFO)): *BP*; HR/RET; *Comptroller and* Assistant Secretary for Global Financial Services (*CGFS*); *CGFS/DCFO*; and Office of the Legal Adviser (L);

(3) Once CFO approves, agency contribution rate change will be effective for next budget request cycle;

(4) HR/RET contacts the Global Compensation Directorate (*CGFS/C*) payroll office; and

(5) *CGFS/C* informs other agencies of rate changes.

e. For the Foreign Service Retirement and Disability Fund (FSRDF), interest on the unfunded liability and the portion of annuities reflecting military and naval service is credited annually to the fund by the Secretary of the Treasury.

4 FAH-3 H-542.1-3 Compensation Base for Determination of Foreign Service Retirement Employee Contribution

(CT:FMP-65; 08-29-2011)

a. The amount of FSRDS employee contributions is a percentage of base pay inclusive of any locality-based comparability payments under 5 U.S.C. 5304 or interim geographic adjustment or special law enforcement adjustment under section 302 or 404, respectively, of the Federal Employees Pay Comparability Act of 1990. All other payments such as awards, bonuses, regular overtime, holiday pay, night differential, post differential, danger pay, and lump-sum payment for annual leave are excluded.

b. The amount of FSPS employee contributions includes the amount in 4 FAH-3 H-542.1-3, paragraph a, plus standby duty pay, administrative uncontrollable overtime (AUO), law enforcement availability pay (LEAP), physicians comparability allowance (PCA), and tropical differential on the Isthmus of Panama. All other payments such as awards, bonuses, regular overtime, holiday pay, night differential, post differential, danger pay, and lump-sum payment for annual leave are excluded.

4 FAH-3 H-542.1-4 Accounting for Foreign Service Retirement Deductions and Contributions

(CT:FMP-65; 08-29-2011)

The employer contribution is charged to the same appropriation and allotment that funds the employee's basic pay. All employer contributions and employee deductions are transferred directly to the Foreign Service Retirement and Disability Fund.

4 FAH-3 H-542.1-5 Coverage When Detailed or Transferred to an International Organization

(CT:FMP-65; 08-29-2011)

a. The authority for the detail of a member of the service to international organizations for a period not to exceed five years is found in 5 U.S.C. 3343. The Secretary may extend such a detail up to an additional three years if he or she determines this would be in the national interest. While on detail to the international organization the employee is deemed, for the purpose of preserving his allowances, privileges, rights, seniority, and other benefits, an employee of the Department, and he/she is entitled to pay, allowances, and benefits. (See 3 FAM 2420 and 3 FAH-1 H-2420.)

b. An employee transferred to an international organization under 5 U.S.C. 3581 - 5 U.S.C. 3584 may elect to continue retirement coverage under FSRDS or FSPS. However, to retain such coverage, the employee must make the employee's contributions during the entire period of the transfer. FSPS employees must also make contributions to Social Security taxes. If the employee fails to make such contributions, at least quarterly, his or her benefits will be lost during the period of transfer to the international organization. See 5 CFR 352.

4 FAH-3 H-542.1-6 Reemployed Foreign Service Annuitant (FSRDS or FSPS)

(CT:FMP-65; 08-29-2011)

When a Foreign Service annuitant is reemployed in the Federal Government, the annuitant and the employer are responsible for notifying the Retirement Division (HR/RET), Room H620, SA-1, Washington, D.C. 20520 of the reemployment in accordance with section 824(e) of the Foreign Service Act, 22 U.S.C. 4064(e).

4 FAH-3 H-542.2 Civil Service Retirement

(CT:FMP-65; 08-29-2011)

a. There are two Civil Service retirement systems: the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS).

b. LE staff employees hired after December 31, 1983 could not enroll in CSRS. LE staff employees enrolled in CSRS prior to that date may continue to participate. LE staff employees are not eligible to participate in FERS or in the TSP.

c. Foreign Service and Civil Service retirement plans are not applicable to LE staff.

4 FAH-3 H-542.2-1 Authorities

(CT:FMP-65; 08-29-2011)

a. 5 U.S.C. 8301-8351 and 5 U.S.C. 8401-8480;

b. 5 CFR 831 - 5 CFR 841; and

c. 3 FAM 6000, Retirement.

4 FAH-3 H-542.2-2 Rates

(CT:FMP-65; 08-29-2011)

a. CSRS employees pay and the employer contribute a percent of basic pay into the CSRS. The percentages are applied in accordance with 5 U.S.C. 8334. Law enforcement officers and firefighters (retirement coverage code 6) pay a slightly higher rate.

b. For employees classified as CSRS-Offset employees (retirement codes C or E) the CSRS employee deduction rate that would otherwise be applicable to the employee is reduced by the OASDI tax rate until wages each year reach the social security contribution and benefit base. The rate then reverts to the full CSRS deduction rate for the remainder of the year. There is no reduction in the employer contribution rate.

c. Under FERS, the employee deduction for most employees (retirement code K) is applied in accordance with 5 U.S.C. 8422. Law enforcement officers and fire fighters (retirement code M), air traffic controllers (retirement code L), and reserve technicians (retirement code N) pay a slightly higher rate. The OASDI rate is as if OASDI deductions were being made even if OASDI deductions have ceased because of the amount of earnings during the year, or are not made for any other reason. In other words, the employee deduction remains at the rate in accordance with 5 U.S.C. 8422 less the OASDI rate regardless of whether the OASDI deductions are not being made for the employee because the employee has reached the OASDI wage base or for any other reason. See CSRS and FERS Handbook Chapter 30 for examples.

d. The FERS rate for the employer’s contribution is the normal cost percentage, determined actuarially periodically, less the percentage the employee pays. The employer contribution rate is applied in accordance with 5 U.S.C. 8423.

4 FAH-3 H-542.2-3 Compensation Base for Civil Service Retirement Computation

(CT:FMP-65; 08-29-2011)

a. The compensation upon which the rates in 4 FAH-3 H-542.2-2 are applied for General Schedule employees is the sum of base pay, standby duty pay, administrative uncontrollable overtime (AUO), law enforcement availability pay (LEAP), physicians comparability allowance (PCA), and tropical differential on the Isthmus of Panama. For Federal Wage Schedule employees, the compensation upon the rates applied also includes night differential, environmental differential and Guam recruitment differential. Payments such as awards, bonuses, regular overtime and holiday pay, night differential for General Schedule employees, post differential, danger pay, and lump-sum leave are excluded. See CSRS and FERS Handbook Chapter 30 Section 30A1.1-2 Basic Pay.

b. The compensation upon which the CSRS rates are applied for LE staff employees is normally the basic compensation rate of pay unless otherwise specified in the local compensation plan.

4 FAH-3 H-542.2-4 Accounting for Civil Service Retirement Deductions and Contributions

(CT:FMP-65; 08-29-2011)

a. Employer contributions and employee deductions for Civil Service retirement are paid to the U.S. Office of Personnel Management (OPM) receipt account 24X8135.8 on the biweekly payroll voucher. A Journal Voucher and Form SF-2812, Journal Voucher and Report of Withholdings and Contributions for Health Benefits, Life Insurance and Civil Service Retirement is transmitted electronically to the OPM to be received on or before the payroll due date.

b. The LE staff payroll offices pay in a like manner the U.S. dollar equivalent of contributions and deductions for LE staff that are in the CSRS.

4 FAH-3 H-542.2-5 Reemployed Civil Service Annuitant (CSRS or FERS)

(CT:FMP-65; 08-29-2011)

According to 5 U.S.C. 8344(a) and 5 U.S.C. 8468, an amount equal to the annuity allocable to the period of reemployment must be deducted from the pay of a reemployed CSRS or FERS annuitant whose annuity continues during reemployment. This applies to an annuitant serving in an appointive or elective position unless exempted by OPM for exceptional employment needs or emergency. See 5 CFR 553 for additional guidance regarding reemployment of civilian retirees to meet exceptional employment needs. These deducted amounts

are deposited into the U.S. Treasury for the Civil Service Retirement Fund, 24X8135.8, and reported on Form SF-2812.

4 FAH-3 H-543 TAXES

4 FAH-3 H-543.1 Employment Tax

4 FAH-3 H-543.1-1 Authorities

(CT:FMP-65; 08-29-2011)

a. The Federal Insurance Contribution Act (FICA) tax consists of the Old-Age, Survivors, and Disability Insurance (OASDI) referred to as social security and Federal Hospital Insurance referred to as FHI, HI, HIT, or Medicare. The authorities are as follows:

(1) 26 U.S.C. 3101 - 26 U.S.C. 3121;

(2) 26 CFR Part 31 Subpart B (26 CFR 31.3101-1 - 26 CFR 31.3121); and

(3) 1 TFM 3-4000.

b. Any request by a host government for levy of an employment tax should immediately be brought to the attention of the Bureau of Human Resources Office of Overseas Employment (HR/OE) and the Office of the Legal Adviser.

4 FAH-3 H-543.1-2 Payments Subject to FICA Tax

(CT:FMP-65; 08-29-2011)

Base pay and the following kinds of payments made in a calendar year to persons eligible under 4 FAH-3 H-543.1-3 and 4 FAH-3 H-543.1-4 are subject to FICA tax. OASDI tax is applicable only up to the OASDI wage ceiling (for current employee and employer withholding rates and wage ceiling see IRS Publication 15). There is no wage ceiling for HI tax.

(1) Other types of compensation:

(a) Charge pay;

(b) Overtime;

(c) Holiday, night, and Sunday pay;

(d) Standby duty;

(e) Administratively uncontrollable overtime work;

(f) Special differential for substantial amounts of extra work;

(g) Post (hardship) differential;

(h) Service need differential;

(i) Physicians comparability allowance;

(j) Danger pay;

(k) Language incentive differential;

(l) Retention allowance;

(m) Recruitment bonus; and

(n) Relocation bonus.

(2) All cash awards and lump-sum leave payments.

(3) Certain fringe benefits (e.g., local commuting transportation, fringe benefit parking).

(4) The unpaid salary, unused annual leave and other compensation of a deceased employee within the ceiling specified, if paid in the same calendar year in which death occurred. If paid after the year of death, FICA taxes are not applicable. (See 26 CFR 31.3121(a)(14)-1).

(5) All payments made to locally employed staff (LE staff) employees and personal services contractors (PSC's) who hold green cards. The exemption of various allowances provided by 26 U.S.C. 912 is not applicable to LE staff or PSCs permanent residence aliens (PRA) paid under the local compensation plan.

(6) All payments made to U.S. citizens locally employed. The exemption for various allowances provided by 26 U.S.C. 912 is not applicable to U.S. citizens paid under the local compensation plan.

(7) An exception may arise when an employee participates in health benefit premium conversion. Deductions from pay for participation in health benefit premium conversion reduce the amount of compensation on which FICA tax is withheld.

(8) An exception may arise when an employee enrolls in a flexible spending account (i.e., health care and/or dependent care). Deductions from pay for enrollment in a flexible spending account reduce the amount of compensation on which FICA tax is withheld.

4 FAH-3 H-543.1-3 Personnel Subject to Full FICA Tax

(CT:FMP-65; 08-29-2011)

Payments made to the following personnel are subject to full FICA tax (i.e., both the OASDI and the HI components):

(1) U.S. citizen employees not covered by the Civil Service Retirement System (CSRS) or the Foreign Service Retirement and Disability System (FSRDS);

(2) U.S. citizen employees termed CSRS-offset employees described in 4 FAH-3 H-542.2-2, paragraph b and FSRDS-offset employees described in 4 FAH-

3 H-542.1-2, paragraph b;

(3) U.S. citizen personal services contractors;

(4) Locally employed staff (LE staff) who are U.S. permanent resident aliens (PRAs) and who do not participate in the Civil Service Retirement System (CSRS). The post personnel officer should check bilateral social security totalization agreements for any possible exception;

(5) Personal services contractors (PSC's) who are U.S. permanent resident aliens (PRAs). The post personnel officer should check bilateral social security totalization agreements for any possible exception; and

(6) For U.S. citizens employees hired abroad, post personnel offices should check bilateral social security totalization agreements for possible exception.

4 FAH-3 H-543.1-4 Personnel Subject *to* HI Tax

(CT:FMP-71; 04-23-2013)

Payments made to the following persons are subject to only the HI portion of FICA:

(1) U.S. citizen employees who have continuously performed service since December 31, 1983, covered by the CSRS or the FSRDS. Service is considered continuous if any break in service did not exceed 365 consecutive days.

(2) LE staff employees who are U.S. permanent resident aliens (PRAs) who have continuously performed service since December 31, 1983 covered by the CSRS. Check bilateral social security totalization agreements for possible exception.

4 FAH-3 H-543.1-5 FICA Tax Withholding Rates

(CT:FMP-65; 08-29-2011)

The employer is responsible to withhold the proper employment tax from employees' pay and to make the prescribed employer's contribution as stated in 26 U.S.C. 3101 (a) and (b). Both the rates and the wage ceiling are published in Publication 15, Circular E: Employer's Tax Guide that can be found at the Internal Revenue Service Web site.

4 FAH-3 H-543.1-6 Accounting for FICA Deductions and Contributions

(CT:FMP-65; 08-29-2011)

The FICA taxes and any withheld income tax usually must be sent to the IRS through FEDTAX II, if Treasury disburses the funds; or the Electronic Federal Tax

Payment System (EFTPS), if Treasury does not disburse the funds. If authorized, a completed Federal Tax Deposit Coupon should accompany payment to the Federal Reserve Banks (FRB) to assure proper identification and posting. LE staff payroll offices pay the appropriate Federal Reserve Bank the U.S. dollar equivalent of contributions and deductions of LE staff/Permanent resident aliens (PRA) and U.S. citizen employees hired abroad. Deductions are also reported annually on employees' Form W-2, Wage and Tax Statement. (See 3 FAM 8100 Appendix A for information on contracts with U.S. citizens for personal service abroad.)

4 FAH-3 H-543.2 U.S. Federal Income Tax Withholding

4 FAH-3 H-543.2-1 Authorities

(CT:FMP-65; 08-29-2011)

a. 26 U.S.C. 3401 - 26 U.S.C. 3405; and

b. 1 TFM 3-4000.

4 FAH-3 H-543.2-2 Personnel Subject to Withholding

(CT:FMP-65; 08-29-2011)

Every employee, personal services contractor, or any other individual providing services who meets IRS's common-law rules on employer-employee relationship and falls into one of the following categories is subject to tax withholding rules:

(1) U.S. citizens, including dual nationals;

(2) Nonresident aliens working in the United States;

(3) Resident aliens performing service in or outside the United States.

(See Publication 15, Circular E: Employer's Tax Guide that can be found at the Internal Revenue Service Web site)

4 FAH-3 H-543.2-3 Payments Subject to Withholding

(CT:FMP-65; 08-29-2011)

a. Payments subject to FICA taxes are, generally, also subject to U.S. Federal income tax withholding. However, the following are three exceptions not subject to FICA taxes or Federal income tax withholdings:

(1) An employee invests in the Thrift Savings Plan (TSP);

(2) An employee participates in health benefit premium conversion (pre-tax health benefits); and/or

(3) An employee enrolls in a flexible spending account.

b. Deductions from pay for investment in the TSP, participation in health benefit

premium conversion, and/or enrollment in a flexible spending account reduce the amount of compensation on which Federal income tax is withheld.

4 FAH-3 H-543.2-4 Payments Exempt From Withholding

(CT:FMP-65; 08-29-2011)

a. The payroll office will not deduct and withhold U.S. Federal income tax from employee salaries and wages when the employee certifies exempt status (i.e., that no income tax liability was incurred the preceding year nor is anticipated for the current year). Such employee must file a new Form W-4, Employee's Withholding Allowance Certificate, each year by February 15.

b. Allowances paid to U.S. citizens employees through the American payroll system that are exempt from FICA are generally also exempt from income tax withholding (see Department of State Standardized Regulations (DSSR)) including the following:

   (1) Temporary quarters subsistence allowance and overseas quarters allowance;

   (2) Post allowance; and

   (3) Separate maintenance allowance.

c. Other payments such as unpaid salary and unused annual leave of deceased employees are not subject to income tax withholding. (See 4 FAH-3 H-543.1-2 (4) for the social security rules).

4 FAH-3 H-543.2-5 U.S. Federal Income Tax Withholding Certificate

(CT:FMP-65; 08-29-2011)

a. Each individual who is subject to U.S. income tax is required to complete and submit a Form W-4 to the employer.

b. Until such time as Form W-4 is received, tax will be withheld on the basis of zero allowances at the rate applicable to a single person. A withholding deduction based on a new or revised Form W-4 becomes effective at the beginning of the pay period following receipt of the form. Changes in withholding deductions are not effective retroactively.

c. If an employee expects to owe more income tax for the year than will be withheld by claiming the number of withholding allowances as indicated by the Form W-4 work sheet, the employee may increase the withholding by claiming a smaller number of withholding allowances on Form W-4. See IRS Withholding Calculator.

d. Withholding requested in excess of the amount produced by zero allowances may be indicated on the Form W-4 in multiples of $5.

4 FAH-3 H-543.2-6 Tax Withholding Computation

(CT:FMP-65; 08-29-2011)

a. The Internal Revenue Code allows a number of different methods for figuring tax withholding. The payroll system calculates withholding by the percentage method.

b. When a payment of regular salary is being made for two or more pay periods, tax withholdings are computed individually for each pay period.

c. Tax withholding deductions from large one-time payments such as awards are at a flat percentage rate unless the employee is exempt. The tax withholding deduction rate is found in Publication 15, Circular E: Employer's Tax Guide that can be found at the Internal Revenue Service Web site.

4 FAH-3 H-543.3 State Income Tax Withholding

4 FAH-3 H-543.3-1 Authorities

(CT:FMP-65; 08-29-2011)

a. 5 U.S.C. 5516 - 5 U.S.C. 5517; and

b. 1 TFM 3-5000.

4 FAH-3 H-543.3-2 Employee’s Declaration of State Tax Withholding

(CT:FMP-71; 04-23-2013)

a. Each employee or personal services contractor (PSC) hired in the United States, regardless of where stationed, must have on file with the American Payroll (*CGFS/C/APP*) a certification which currently identifies their obligation, or absence thereof, for state income tax withholding.

b. As withholding rules may vary from state to state and with the individual’s particular circumstances, the employee must ascertain his or her proper filing status. In the Washington, D.C. area with the three taxing entities Virginia, Maryland, and D.C., the taxing entity is where the employee resides. Note that Foreign Service officers’ resident in the District of Columbia can no longer claim the non-domiciliary exemption as they could prior to 1988.

c. Employees are alerted that change in residence or assignment may require the filing of a new state income tax certificate.

d. State income taxes will be withheld from compensation in accordance with each individual’s certification. If a certification is not filed in accordance with 4 FAH-3 H-543.3-2, paragraph a, tax must be withheld at the maximum rate applicable to the individual’s last known U.S. address.

4 FAH-3 H-543.3-3 Payments Subject to Withholding

(CT:FMP-65; 08-29-2011)

Generally, the same elements of compensation subject to Federal income tax withholding (see 4 FAH-3 H-543.2-3) are subject to state income tax withholding. However, the States of Pennsylvania and New Jersey do not exclude employee's investment deductions for the TSP as the Federal government and other States do. The State of New Jersey and the Commonwealth of Puerto Rico do not allow for the reduction of taxable income for FEHB deductions under health benefit premium conversion.

4 FAH-3 H-543.3-4 Tax Withholding Computation

(CT:FMP-65; 08-29-2011)

Withholding is calculated at the prescribed rates of the individual states. State tax withholding on large one-time payments such as awards is at a flat 5 percent rate unless the employee is exempt or there is no state tax.

4 FAH-3 H-543.4 Local Income Tax Withholding

(TL:FMP-4; 06-15-1995)

a. City or county withholding is made for any employee who is subject to a local tax and:

   (1) Whose regular place of employment is within the boundaries of the county or city; or

   (2) Is a resident of the city or county.

b. If the residence and place of employment are not both within the state in which the city or county is located, withholding is at the option of the employee. The employee should complete a withholding certificate accordingly. Tax withholding on large one-time payments such as awards is at a flat 2 percent rate if there is a local tax.

4 FAH-3 H-544 FEDERAL EMPLOYEES' GROUP LIFE INSURANCE (FEGLI)

4 FAH-3 H-544.1 Authorities

(CT:FMP-65; 08-29-2011)

a. 5 U.S.C. 8701 - 5 U.S.C. 8716;

b. 5 CFR 870; and

c. 3 FAM 3620.

4 FAH-3 H-544.2 Basic Life Insurance

(CT:FMP-65; 08-29-2011)

The cost of basic insurance is shared between the insured individual and the government. The employee pays two-thirds of the cost, and the government pays one-third.

4 FAH-3 H-544.2-1 Employee Deductions

(CT:FMP-65; 08-29-2011)

For eligible employees who have not waived automatic Basic Life Insurance coverage on Form SF-2817, Life Insurance Election-Federal Employees' Group Life Insurance Program, deductions for Basic Life Insurance are made from the employee's pay on a biweekly basis as of the first day that the employee is in a pay status. The biweekly rate can be found in the FEGLI Handbook.

4 FAH-3 H-544.2-2 Employer Contributions

(CT:FMP-65; 08-29-2011)

For each pay period in which an employee is insured, the employing agency contributes an amount equal to one-half of the amount withheld from the employee's pay. The employer contribution comes from the fund used to pay the employee's pay.

4 FAH-3 H-544.3 Optional Insurance

(CT:FMP-65; 08-29-2011)

a. Deductions for Optional Life Insurance (Option A (Standard Optional), Option B (Additional Optional), and Option C (Family Optional)) are made from the employee's pay biweekly as of the first day that the employee is in a pay status. The biweekly rate can be found in the FEGLI Handbook. The employing agency does not contribute any amount towards the premium.

b. The total premium cost for the optional life insurance coverage is deducted from the employee's pay.

4 FAH-3 H-544.4 Employees in Non-Pay or Other Status

(CT:FMP-71; 04-23-2013)

a. An employee in a non-pay status retains insurance coverage without cost to the employee or the agency for up to twelve months, after which the insurance terminates. See FEGLI pamphlet RI 76-12 for guidance on the conversion right to a private non-group contract.

b. An employee transferred to an international organization under 5 U.S.C. 3582 may continue life insurance coverage by paying the employee's share of the premium to the Federal agency at least quarterly.

c. If you separate from service to enter the military, you are considered to be in a nonpay status for FEGLI Purposes. As long as you have reemployment rights under the Uniformed Services Employment and Reemployment Rights Act (implementing rules are at 20 CFR 1002), you can keep your FEGLI coverage for up to 12 months or until 90 days after your military service ends, whichever date comes first. This coverage is free. At the end of 12 months (or 90 days after the military service ends), the coverage terminates. You also get a 31-day extension of coverage after the termination date. This extension does not include accidental death and dismemberment coverage. You are entitled to convert your coverage to an individual policy.

4 FAH-3 H-544.5 Termination of Life Insurance Coverage

(CT:FMP-65; 08-29-2011)

An insured employee may cancel basic life insurance at any time by executing and filing the waiver section of Form SF-2817 to discontinue life insurance coverage and deductions. An individual who cancels basic insurance automatically cancels all forms of optional insurance. The waiver is effective; the insurance stops; and employee deductions cease at the end of the pay period in which the waiver is properly filed.

4 FAH-3 H-544.6 Life Insurance After Retirement

(CT:FMP-65; 08-29-2011)

For eligible retirees, the retiree's portion of the premium for Basic insurance is deducted from the monthly annuity and the premium amount will depend on the reduction election you made at the time you retired. OPM pays the government's contribution. See FEGLI Handbook Chapter on Cost of Insurance.

4 FAH-3 H-545 FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB)

4 FAH-3 H-545.1 Authorities

(CT:FMP-65; 08-29-2011)

a. 5 U.S.C. 8901 - 5 U.S.C. 8913;

b. 5 CFR 890; and

c. 3 FAM 3610.

4 FAH-3 H-545.2 Employee Deductions

(CT:FMP-65; 08-29-2011)

For eligible employees, deductions for FEHB are made from the employee's pay at the biweekly rate applicable to the employee's elected health plan in the Schedule of Subscription Charges. The employee deduction is made automatically on a pre-tax basis through premium conversion, unless the employee elects to waive participation. The deduction made on a pre-tax basis reduces taxable income by the amount of the FEHB deduction and reduces the amount of Federal taxes, FICA, and, if applicable, state and/or local taxes withheld.

4 FAH-3 H-545.3 Employer Contributions

(CT:FMP-65; 08-29-2011)

The employing agency contributes the amount determined by the U.S. Office of Personnel Management (OPM).

4 FAH-3 H-545.4 Employees on Leave Without Pay (LWOP) or Other Status

(CT:FMP-71; 04-23-2013)

a. Employees on LWOP:

(1) FEHB coverage may continue for an employee on LWOP for up to one year unless it is canceled by submitting Form SF-2809, Health Benefits Election Form. An employee entering on LWOP must execute a statement in writing for the employing agency whether to continue coverage or terminate it. State employees should contact the Office of American Payroll and Pension Operations (*CGFS/C/APP*) on how the employee's premium will be paid. Payments made outside of the payroll system (i.e., by personal check) may not reduce taxable income.

(2) If the employee does not sign and returns the statement canceling the benefits, coverage is terminated (see LWOP statement). Any outstanding indebtedness for health benefit premiums will be deducted on a pre-tax basis, unless waived participation in premium conversion (after-tax), from salary upon return to pay status or recovered from any lump sum payable or other sources available for recovery of indebtedness due the United States. (Contact HR/ER/WLD for additional guidance.)

(3) Before expiration of the one year, an employee may complete the reverse side of Form SF-2810, Notice of Change in Health Benefits Enrollment, for conversion to a private insurance contract.

(4) The employee may request cancellation of coverage at anytime by completing Form SF-2809.

b. Employees in Other Status:

(1) An employee serving with an international organization under 5 U.S.C. 3343 or 5 U.S.C. 3581 - 5 U.S.C. 3584 may elect to continue FEHB coverage by paying the Federal agency the employee's premium at least quarterly.

(2) An employee called to military duty, may continue coverage for up to 24 months or elect to have it terminate. FEHB law gives the agency authority to continue coverage and pay the employee share of his/her premiums if he/she is called or ordered to active duty on or after September 14, 2001, and the employee is:

(a) Enrolled in an FEHB plan;

(b) A member of a reserve component of the armed forces;

(c) Called or ordered to active duty in support of a contingency operation (as defined in section 101(a)(13) of title 10);

(d) Placed on leave without pay or separated from service to perform active duty; and

(e) Serving on active duty for a period of more than 30 consecutive days.

(3) If the employee does not meet all of the above requirements of FEHB law, the authority for continuation of FEHB coverage comes from the Uniformed Services Employment and Reemployment Rights Act (USERRA), now codified at 38 U.S.C. 4317. Under USERRA the agency does not have authority to pay the employee premiums while he/her is on military duty. The employee is responsible for his/her premium during the first 12 months, and the agency will pay its share. For the continued FEHB coverage of up to 12 months, the employee is responsible for paying both the employee and agency shares of the premium, plus an additional 2 percent administrative fee.

4 FAH-3 H-545.5 Others Eligible for FEHB Coverage

(CT:FMP-71; 04-23-2013)

a. An annuitant's FEHB premium is deducted from the monthly annuity. OPM funds the Government's contribution. Premium conversion has no tax implication for annuitants.

b. Former spouses of employees or former employees eligible for continued FEHB coverage under Section 832 or 833 of the Foreign Service Act, as amended, must arrange to pay both the employee and agency share of the premium. If the insured is not entitled to annuity or apportionment payments, he or she must remit premiums monthly to the *CGFS/C/APP* Retirement Accounts

Division.

c. Temporary continuation of FEHB coverage for 18 months or 36 months is provided under Public Law 100-654 to certain separated employees, children, and former spouses. The program is called “FEHB 18/36 TCC” and participants must pay the full premium (the employee and government portions) plus a two percent surcharge. In the Department of State this program is managed by the Retirement Division (HR/RET), from eligibility to collection of funds.

d. Re-employed annuitants in positions that convey FEHB eligibility and whose enrollment code has been transferred to the employing agency will automatically participate in premium conversion unless they waive participation. The employing agency must pay the government contribution.

4 FAH-3 H-546 THRIFT SAVINGS PLAN (TSP)

(CT:FMP-65; 08-29-2011)

a. The Thrift Savings Plan (TSP) is a retirement savings and investment plan for Federal employees and members of the uniformed services, including the Ready Reserve. It was established by Congress in the Federal Employees' Retirement System Act of 1986 and offers the same types of savings and tax benefits that many private corporations offer their employees under 401(k) plans.

b. TSP consists of several investment funds. Eligible employees may direct their TSP deductions and any employer contributions into these funds. The investment fund options can be found at the Thrift Savings Plan Web site.

4 FAH-3 H-546.1 Authorities

(CT:FMP-65; 08-29-2011)

a. 5 U.S.C. 8432 - 5 U.S.C. 8440; and

b. 5 CFR 1600 - 5 CFR 1690.

4 FAH-3 H-546.2 Definitions

(CT:FMP-65; 08-29-2011)

Basic Pay: Compensation upon which TSP deduction and contribution are computed is base pay inclusive of any locality-based comparability under 5 U.S.C. 5304 or interim geographic adjustment or special law enforcement adjustment under section 302 or 404 of the Federal Employees Pay Comparability Act of 1990, respectively. Also include any standby pay, administratively uncontrollable overtime (AUO), law enforcement availability pay (LEAP), physicians comparability allowance (PCA), tropical differential on the Isthmus of Panama, and for Federal Wage Schedule (FWS) employees night differential, environmental differential, and Guam recruitment differential.

Basic pay for TSP purposes is the same amount used to determine the mandatory retirement deductions.

Open Season: Under Public Law No. 108-469, signed into law on December 21, 2004, TSP open seasons were eliminated. Effective July 1, 2005, employees may elect to begin, stop, or change their TSP investment deductions at any time.

4 FAH-3 H-546.3 Eligibility

(CT:FMP-65; 08-29-2011)

For the latest guidance on who is eligible to participate in the TSP, see TSP: Participant Eligibility.

4 FAH-3 H-546.4 Enrolling, Changing or Stopping Investment

(CT:FMP-65; 08-29-2011)

a. For guidance on starting, changing, or stopping investments, see TSP: Starting, Changing, and Stopping Your Contributions. In addition, these actions may be done electronically through the Employee Express Web site.

b. TSP participants who make in-service, financial-hardship withdrawals may not make TSP contributions for a 6-month period following the withdrawal. These participants may also not make catch-up contributions to their TSP accounts for a 6-month period. If you are a FERS or FSPS employee that means you will also not receive any matching contributions during this time. See TSP: In-Service Withdrawal Basics.

4 FAH-3 H-546.5 Employee Deductions

(CT:FMP-65; 08-29-2011)

a. The employee may elect to invest either a percentage of basic pay (i.e., 1 to 100 percent) or a specified dollar amount per pay period.

b. Total employee investment in a tax year may not exceed the ceiling limitation set in the U.S. tax code (26 U.S.C. 402(g)(1)). This limitation is published in the Thrift Savings Plan for Federal Employees and may change annually. See TSP: Current Limits and Rates, specifically "Annual Limit on Elective Deferrals." This annual ceiling on tax-deferred investment is inclusive of any retroactive payments made during the year.

c. Under Public Law 106-554, effective January 2006, contribution limits were eliminated. The total amount that an employee may contribute to the TSP each year is capped by the Internal Revenue Service (IRS) elective deferral limit. See 401(k) Resource Guide - Plan Participants - Limitation on Elective

Deferrals.

d. When the annual ceiling for employee investment is reached, employee deductions and employer matching contributions are suspended for the remainder of the tax year.

e. With the enactment of Public Law No. 107-304, TSP participants who are 50 years of age or older may make tax-deferred "catch-up" contributions from their basic pay to their TSP accounts. These contributions are a supplement to the participant's regular employee contributions and do not count against the IRS elective deferral limit. However, the catch-up contributions have their own annual limit and eligibility criteria. Also, to be eligible to make catch-up contributions participants must be contributing the maximum amount of employee contributions. Participants must make a new election for each calendar year. For additional information on catch-up contributions, see TSP: Types of Contributions.

4 FAH-3 H-546.6 Partial Deductions

(CT:FMP-65; 08-29-2011)

a. **If a participant elects a whole dollar amount** and the net pay available in a pay period is less than the elected whole dollar amount, no TSP employee deduction will be made for the pay period.

b. **If a participant elects a percentage of pay** and the net pay available in a pay period is less than the amount computed based on the elected TSP percentage of basic pay the resulting net pay is the TSP employee contribution, subject to the Internal Revenue Code limits.

4 FAH-3 H-546.7 Employer Contributions

(CT:FMP-65; 08-29-2011)

a. For FERS and FSPS employees, your agency will contribute an amount equal to one percent of your basic pay each pay date to your TSP account. These are called agency automatic (1 percent) contributions. There is no waiting period and you do not need to be making employee contributions to receive them (see TSP: Types of Contributions.)

b. Agency automatic (1 percent) contributions are subject to vesting rules. You are vested in (entitled to keep) all of your agency automatic (1 percent) contributions, as well as any earnings that they accrue, after a certain period of Federal service. Most FERS and FSPS employees become vested after having completed 3 years of service. The agency 1 percent automatic contribution continues throughout the tax year, even after a high-salaried employee’s investment deductions reach the tax code annual limitation discussed in 4 FAH-3 H-546.5.

c. As a FERS or FSPS participant, you receive matching contributions on the first 5

percent of pay that you contribute each pay period. As the table below shows, the first 3 percent of pay that you contribute will be matched dollar-for-dollar; the next 2 percent will be matched at 50 cents on the dollar. Contributions above 5 percent of your pay will not be matched.

Illustration:

When Employee Invests	Agency Automatic Contribution	Agency Matching Contribution
0%	1%	0%
1%	1%	1%
2%	1%	2%
3%	1%	3%
4%	1%	3.5%
5%	1%	4%
> 5%	1%	4%

d. CSRS and FSRDS Employees. Employees in the CSRS and the FSRDS are not eligible for the agency automatic 1 percent contribution or the agency matching contributions.

4 FAH-3 H-546.8 Taxability *of* Employee's Deductions *for* TSP

(CT:FMP-71; 04-23-2013)

Employee investments in the TSP are tax-deferred for U.S. Federal income tax (i.e., they are deducted from pay before U.S. Federal income tax is computed). These payments are also tax-deferred for State income tax except in Pennsylvania and New Jersey. However, TSP deductions are subject to FICA taxes.

4 FAH-3 H-546.9 Loans

(CT:FMP-65; 08-29-2011)

If the employee obtains a loan from his/her TSP account, the payroll office will facilitate repayment through recurring deductions from biweekly pay to the TSP in accordance with the Loan Agreement.

4 FAH-3 H-546.10 TSP Account Statements

(CT:FMP-65; 08-29-2011)

a. Employees' TSP Participant Statements are available on the Thrift Savings Plan

Web site. Upon request, an employee will receive in the mail a TSP Participant Statement four times a year directly from the TSP Office at the National Finance Center (NFC). Employees should review his or her biweekly earnings and leave statement and the TSP statement to ensure accurate deductions and any agency contributions are reflected.

b. If an employee has a TSP loan, information about the loan is included on the employee's TSP Participant Statement, rather than on a separate quarterly loan statement.

4 FAH-3 H-546.11 Interfund Transfer or Change of Fund

(CT:FMP-65; 08-29-2011)

a. An employee may transfer some or all of his or her existing TSP account balance among the TSP investment funds. The allocation of funds for future biweekly investment deductions and government contributions may also be changed. These can be made at any time by submitting a completed Form TSP-50, Investment Allocation, to the Thrift Savings Plan P.O. Box 385021 Birmingham, AL 35238 or electronically on the Thrift Savings Plan Web site.

b. Interfund Transfer (IFT) Limits: You can make an Interfund Transfer (IFT) at any time, but there are some important limitations:

   (1) The first two IFTs of any calendar month may redistribute money in your account among any or all of the TSP funds, including moving your entire balance into the Government Securities Investment (G) Fund; and

   (2) Subsequent IFTs in the same calendar month can only move money into the Government Securities Investment (G) Fund. See TSP: Interfund Transfers.

4 FAH-3 H-546.12 Correction of Agency Administrative Error

4 FAH-3 H-546.12-1 Administrative Error

(CT:FMP-71; 04-23-2013)

a. An employee may present a claim for retroactive correction of an act or omission by the employing agency that was not in accordance with applicable statutes, regulations or administrative procedures.

b. The claim must be submitted within the time limitations described on 5 CFR 1605.16 (Claims for correction of employing agency errors; time limitations):

   (1) Employees of other agencies should address their claim to their personnel office; and

(2) If any Department of State employee believes that an error has occurred, the employee must make a formal claim to the Director, American Payroll and Pension Operations (APP), *CGFS/C/APP*, Department of State, PO Box 150008, Charleston, South Carolina 29415-5008. The employee must make the claim in writing and include the employee's social security number, a complete description of the claim, and include all supporting documentation.

c. The Director, APP, must issue the employee a written decision regarding the claim within 30 days of receipt of the employee's written claim. The Director must review each claim as to validity in order to seek appropriate resolution.

d. If the claim is denied in whole or in part, the written decision of the Director, APP, must contain the determination of the claim (approval or denial). In the case of a denial, the notification must contain:

(1) A determination on the claim;

(2) The reasons for denial;

(3) All appropriate references to applicable statutes or regulations;

(4) Any additional material or information that would enable the Director to grant the employee's claim (if applicable);

(5) An opportunity for employee to perfect the case;

(6) A description of the employee's appeal rights;

(7) The name and address of the appeal officer; and

(8) The appeal time limits (30 days from date of receipt).

e. Within 30 days of receipt of the decision denying the claim, the employee may appeal the decision. The appeal must be in writing and submitted to the Managing Director, Global Compensation Directorate, *CGFS/C*, Department of State, PO Box 150008, Charleston, South Carolina 29415-5008. The employee must include any appeal documents or information that the employee deems relevant to the claim, which may enable the Managing Director to grant the appeal.

f. The Managing Director must issue the employee a written decision within 30 days of receipt of the employee's request regarding the appeal. If the appeal is denied in whole or in part, the written decision of the Managing Director must contain the determination of the appeal (approval or denial). In the case of denial, the notification of the appeal decision must contain:

(1) A determination on the appeal;

(2) The reasons for denial;

(3) All appropriate references to applicable statutes or regulations;

(4) Any additional material or information that would enable the Managing Director to grant the employee's claim (if applicable);

(5) An opportunity for employee to perfect the case;

(6) A description of the employee‛s appeal rights;

(7) The name and address of the appeal officer; and

(8) The appeal time limits (30 days from date of receipt).

g. Within 30 days of receipt of the written decision denying the appeal, the employee may make a written appeal to the *Comptroller and* Assistant Secretary for Global Financial Services, *CGFS*, Department of State, PO Box 150008, Charleston, South Carolina 29415-5008. The employee must submit any additional material that would enable the Deputy Assistant Secretary to perfect the appeal.

h. The Assistant Secretary must issue the employee a written decision within 30 days of receipt of the appeal. The Assistant Secretary is the final resolution authority and must provide a written decision to the employee (including citations to any applicable statutes, regulations or procedures). In the event of a denied appeal, the employee will be deemed to have exhausted his or her administrative remedy and will be eligible to file suit against the employing agency under 5 U.S.C. 8477. There is no administrative appeal to the Federal Retirement Thrift Investment Board of a final agency decision.

i. Consult 5 CFR 1605, Correction of Administrative Errors, for additional details of employee claims for lost earnings.

4 FAH-3 H-546.12-2 Lost Earnings

(CT:FMP-65; 08-29-2011)

a. For guidance in processing earnings adjustments for deposit in a Thrift Savings Plan (TSP) participant’s account, which replicates earnings that would have accrued had the agency not erred in reporting contributions to the account, see TSP Bulletin 05-12, Earnings Adjustments to Thrift Savings Plan Accounts Requested by Employing Agencies. In addition, see 5 CFR 1605, Correction of Administrative Errors, and 5 U.S.C. 8432a, Payment of Lost Earnings.

b. The Department of State may pay lost earnings when authorized regardless of whether an employee submits a claim. Lost earnings must be addressed consistent with 5 CFR 1605.

c. Claims for lost earnings must be made and will be decided consistent with the procedures outlined in 4 FAH-3 H-546.12-1 (b) through (i).

4 FAH-3 H-546.12-3 Accounting

(CT:FMP-71; 04-23-2013)

The TSP record keeper charges lost earnings or investment loss to the submitting payroll office. American Payroll (*CGFS/C/APP*) will pass the charge to the appropriation/allotment that funds the employee’s basic pay and the allottee will

receive a manually prepared Form SF-1081, Voucher and Schedule of Withdrawals and Credits, with detailed information. As with other CAPPS payments, the recipient agency should not enter Form SF-1081 on its Statement of Transactions as CAPPS will complete the transfer on its own Form SF-224, Statement of Transactions.

4 FAH-3 H-547 OTHER DEDUCTIONS

4 FAH-3 H-547.1 Pay Adjustments

(CT:FMP-65; 08-29-2011)

a. Upon determination of overpayment, an adjustment is usually made in the next pay period, or a check is requested, or a recurring deduction is initiated, depending on the particular circumstances and the amount involved.

b. Immediate deduction from pay may be made for adjustments to pay arising out of an employee's election of coverage or a change in coverage under a Federal benefits program or ministerial adjustments in pay if the amount to be recovered was accumulated over four pay periods or less.

c. Employee indebtedness incurred while in non-pay status for the employee share of health insurance premiums should be recovered promptly upon employee's return to duty. The employee should be advised of the amount due and given an opportunity to establish a reasonable payment plan. The agency may deduct the indebtedness from pay without the employee's consent provided the deduction rate does not exceed 25 percent of the employee's disposable pay (unless it is the employee's final check).

d. In accordance with 5 U.S.C. 5514, collection of a debt an employee owes the U.S. Government may be made by offset from salary without the employee's consent provided proper notification and opportunity to exercise administrative rights have been made. The amount of the offset may not exceed 15 percent of the employee's disposable pay. If employment ends before salary offset is completed, the remaining debt will be liquidated by an offset from payment of any nature due the employee.

e. For provisions for waiving overpayments see 4 FAM 490, Debt Collection.

4 FAH-3 H-547.2 Delinquent Travel Advances

(TL:FMP-4; 06-15-1995)

A delinquent travel advance may be collected though offset against accrued pay (5 U.S.C. 5705). The amount deducted for any pay period may not exceed 15 percent of disposable pay unless it is the employee's final check.

4 FAH-3 H-547.3 Garnishment

(CT:FMP-65; 08-29-2011)

a. **Child Support or Alimony**—The maximum part of aggregate disposable earnings subject to garnishment for child support or alimony must not exceed 50 percent to 65 percent as detailed in 5 CFR 581.402. An order by a court of competent jurisdiction within any State, territory, or possession of the United States or the District of Columbia or a court of competent jurisdiction in any foreign country with which the United States has entered into an agreement that requires the United States to honor such process will be recognized.

b. **Commercial**—Commercial garnishment by order of a court of competent jurisdiction within any State, territory, or possession of the United States or the District of Columbia is limited to not more than 25 percent of disposable earnings (see 5 CFR 582.402(a)(1) and 5 U.S.C. 5520a).

c. The Department's administrative costs in executing commercial garnishment action may be added to the garnishment and the Department of State may retain costs recovered as offsetting collections.

d. **State or local tax**—Garnishment of disposable earnings for a state or local tax obligation will not exceed 25 percent. Garnishment by order of a court in a Chapter 13 bankruptcy case has no percentage or earnings limit.

e. A request for payments pursuant to court-ordered garnishments for Department of State employees and personal services contractors must be submitted to the Executive Director (L/EX), Office of the Legal Adviser, Department of State, Room 5519A, 2201 C Street, NW, Washington, D.C. 20520.

4 FAH-3 H-547.4 Levy for U.S. Taxes

(CT:FMP-65; 08-29-2011)

Levy may be made upon salary or wages of any employee or elected or appointed official of the United States by serving a notice of levy on the employer of the delinquent taxpayer. Biweekly wages exempt from levy are equal to the sum of the taxpayer's standard deductions, any additional standard deductions due to blindness or age, and personal exemptions divided by 26. Also exempt from levy are amounts necessary to comply with judgments for support of minor children, if the legal process was entered prior to the date of the levy (26 CFR 301.6331 - 26 CFR 301.6334).

4 FAH-3 H-547.5 Judgment Offsets

(CT:FMP-65; 08-29-2011)

Where a court determines an employee is indebted to the United States, collection of debt by deduction is made in reasonable amounts from the current pay account

of the employee. The maximum amount deducted for any period ordinarily may not exceed 25 percent of the net disposable pay from which the deduction is made unless deduction of a greater amount is necessary to make collection within the expected period of employment. At a minimum, the amount deducted must equal at least 15 percent of the net disposable pay from which the deduction is made.

4 FAH-3 H-548 ALLOTMENTS OF PAY

4 FAH-3 H-548.1 Authorities

(CT:FMP-65; 08-29-2011)

a. The authorities are as follows:

   (1) 5 U.S.C. 5525;

   (2) 5 CFR 550.301 - 5 CFR 550.371; and

   (3) 1 TFM 3-1000.

b. Making an allotment of pay is a voluntary act by an employee that carries no corresponding obligations on the part of the U.S. government and requires no administrative adjudication to become effective.

c. Allotments are revocable at the will of the allotter and invest no property rights in the allottee unless and until they have been paid to the allottee. Allotment records are for official use only and their disclosure is protected by the Privacy Act (5 U.S.C. 552a).

4 FAH-3 H-548.2 Certain Specified Purposes

4 FAH-3 H-548.2-1 Combined Federal Campaign Allotments

(TL:FMP-4; 06-15-1995)

Under 5 CFR 550.341 an employee may make an allotment for contribution to the Combined Federal Campaign if the employee is employed in an area in which a Combined Federal Campaign authorized by OPM is established. The allotment will be an equal amount deducted each pay period for a term of one year beginning with the first pay period which begins in January and ending the last pay period which begins in December. The minimum biweekly amount is $1 and the amount of the allotment may not be changed. The employee may discontinue the allotment at any time.

4 FAH-3 H-548.2-2 U.S. Savings Bonds (TreasuryDirect)

(CT:FMP-71; 04-23-2013)

a. On September 30, 2010, the Department of the Treasury, Bureau of the Public

Debt discontinued the issuance of definitive (paper) savings bonds through payroll savings plans for Federal employees. Effective October 1, 2010, Federal employees (payroll savers) are encouraged to continue their purchases of United States savings bonds and/or other government securities through TreasuryDirect. See TreasuryDirect.

b. **What is TreasuryDirect?** It is a Web-based system that allows investors to establish accounts to purchase, hold, and conduct transactions in Treasury securities online. Employees (investors) can purchase Series EE and I bonds, Treasury bills, notes, bonds, and Treasury Inflation-Protected Securities (TIPS) through TreasuryDirect. Paper savings bonds are not sold through TreasuryDirect. See 31 CFR 351 and 31 CFR 359.

c. **Employees Who are Eligible.** TreasuryDirect is provided to U.S. citizen employees and personal services contractors payrolled through American Payroll (*CGFS/C/APP*). The LE staff payroll system does not handle deductions for TreasuryDirect.

d. **Initiation request for TreasuryDirect.** Requests by an employee to enroll in the Voluntary Payroll Savings Plan for the initial deduction must be submitted to the payroll office on Form SF-1199-A, Direct Deposit Sign-Up Form, a FAST START Direct Deposit Sign-Up Form, or electronically through Employee Express.

e. **Direct deposit instructions.** The employee must provide the following information when submitting information to the payroll office:

(1) For "Receiving Bank Name", use the word: **TREASURYDIRECT**;

(2) Show the ABA/RTN number as: **051736158**;

(3) For the account number, the employee uses the TreasuryDirect account number provided to him or her, followed by the letter "P" and without hyphens if using the Payroll Savings Plan. (For example: **A123456789P**); and

(4) For the type of account, the employee can choose either a checking or savings account; either type of account works for the TreasuryDirect system.

Note: Adding the letter "P" to your TreasuryDirect account number flags it as a Payroll Savings Plan deposit. If you have not established a payroll plan, the transaction will be rejected. If the employee provides his/her account number without the "P," funds will be deposited into the "C or I" account you use for TreasuryDirect payroll savings of marketable securities and savings bonds.

f. **Available Bond Denominations.** Electronic savings bonds are not sold by denomination. The minimum purchase amount for a savings bond in TreasuryDirect is $25 and the maximum is $5,000. Employees can purchase any amount between $25 and $5,000. Five thousand dollars is the annual limit

per savings bond series per person.

g. **Amount of payroll deduction.** There is no minimum. An employee can request a direct deposit for as little as a dollar. The amount of the allotment need not be a fractional part of the purchase price of a bond.

h. **What is the issue date established on savings bonds bought in TreasuryDirect?** Savings bonds purchased in TreasuryDirect are posted to the employee's account one business day after they are purchased. The issue date of the savings bond is the first day of the month in which the savings bond is posted.

i. **Cancellation of payroll deduction.** Once initiated, payroll deductions will continue, providing gross pay is adequate, until the employee cancels the deduction by submitting a memo to American Payroll (*CGFS/C/APP*) authorizing the cancellation. In addition, the employee may process the cancellation electronically through the Employee Express Web site.

Note: For additional guidance, see Individual - The Payroll Savings Options in TreasuryDirect.

4 FAH-3 H-548.2-3 Labor/Management Organization Dues

(CT:FMP-65; 08-29-2011)

a. **Authority for labor/management organization membership dues deductions.** Dues withholding for associations of management officials and/or supervisors is covered by 5 CFR 550.331. The Department may provide for the allotment of dues for organizations representing Department employees under 5 CFR 550.321. See also 3 FAM 5310, Department Relationships with Employee Organizations.

b. **Request for dues withholding.** Form SF-1187, Request for Payroll Deductions for Labor Organization Dues, is used for requesting and authorizing the withholding of membership dues and payment to the appropriate organization. The employee completes the form except for Section A and sends it to the labor/management organization that completes Section A and forwards it in accordance with the agreement. The labor/management organization will provide the payroll office with a list of officials authorized to certify Form SF-1187.

c. **Deduction of dues by the payroll office.** Withholding will commence with the first full pay period after the payroll office receives the Form SF-1187. There will be no retroactive withholding by the payroll office except to correct errors it makes.

d. **Discontinuance of membership dues withholding.**

   (1) **Employee revocation.** An employee who has authorized the withholding of organization dues may request revocation of such authorization by submitting a completed Form SF-1188, Cancellation of Payroll Deductions

for Labor Organization Dues, or a memorandum in accordance with the agreement. Cancellation will not be effective until the pay period beginning on or after the next established cancellation date.

(2) **Loss of recognition by an organization.** Should an organization lose its right to exclusive representation of the employees of an agency under Executive Order No. 11636, it is the responsibility of the agency union representative to notify the payroll office. The payroll office will cease withholding membership dues upon receipt of such notification.

(3) **Discontinuance due to removal from agency's payroll.** Removal from an agency's payroll, such as in the case of termination of employment by that agency, will automatically terminate employee organization dues withholding.

4 FAH-3 H-548.3 Other Allotments

(TL:FMP-4; 06-15-1995)

In addition to the allotments specified in 4 FAH-3 H-548.2, employees may make general purpose allotments.

4 FAH-3 H-548.3-1 Purposes for Which Allotments May Be Made

(CT:FMP-71; 04-23-2013)

a. Employees in the United States may make an allotment for voluntary child support and/or alimony payments, for credit to savings accounts with financial institutions, and for purchase of retirement credit for prior years' service (except where prohibited by OPM). (See 5 CFR 550.311 and 5 CFR 550.312.)

b. Employees assigned to an overseas post payrolled through American Payroll (*CGFS/C/APP*) may make allotments for:

(1) The support of relatives or dependents of the allotters including voluntary child support and/or alimony;

(2) Fixed amounts to checking and savings accounts (other than net pay to banks);

(3) Payment of insurance premiums;

(4) Installment payments on the purchase of an automobile;

(5) Payment to the State Department Federal Credit Union and the Lafayette Federal Credit Union;

(6) Payment to lawfully appointed attorneys; and

(7) The purchase of retirement credit for prior years' service (except where prohibited by OPM).

c. LE staff may make allotments allowed under the local compensation plan and for:

   (1) Checking and savings accounts;

   (2) The support of relatives or dependents of the allotter;

   (3) Group insurance in a private company underwritten by a U.S. insurance company;

   (4) Group insurance in a private company not underwritten by a U.S. insurance company, when approved by the post management officer;

   (5) Purchase of prior years of service credit under the Civil Service Retirement System;

   (6) Help meeting income and related tax obligations to the host government; and

   (7) For any purpose approved jointly by the heads of agencies in a country and authorized jointly by the agencies headquarters participating in the interagency compensation agreement.

d. Department of State policy is to pay LE staff and PSCs in the currency of the country where employed. Accordingly, allotments are paid in the currency in which the local compensation plan is stated except as provided in 4 FAH-3 H-550.

4 FAH-3 H-548.3-2 Purposes for Which Allotments May Not Be Made

(CT:FMP-71; 04-23-2013)

a. U.S. citizen employees hired in the U.S. and pay through American Payroll (*CGFS/C/APP*) may not make allotments for:

   (1) Contributions to charities except through the Combined Federal Campaign;

   (2) Dues to civic, fraternal, or other organizations, except to labor organizations or associations of management officials and supervisors, with which the agency has agreed in writing to deduct members' dues;

   (3) Payment of indebtedness, except as specifically provided in 4 FAH-3 H-548.3-1, paragraph b; and

   (4) Any other purpose for which a payroll deduction is prohibited.

b. LE staff may not make allotments for:

   (1) Contribution to charities;

   (2) Dues to civic, fraternal, or other similar organizations;

   (3) Indebtedness, except as specifically provided in 4 FAH-3 H-548.3-1, paragraph c; and

(4) Any purpose for which a payroll deduction is prohibited.

4 FAH-3 H-548.3-3 Limitations on Allotments

(CT:FMP-65; 08-29-2011)

a. Employees within the United States may have up to four allotments, of which not more than three may be for credit to savings accounts with financial institutions. The number of allotments for U.S. citizen employees stationed overseas may not exceed four, one of which may be made toward the support of dependents or relatives.

b. The number of allotments for LE staff may not exceed three, one of which may be made toward the support of dependents or relatives.

c. Allotments must be made on a pay period basis only.

d. An allotment must be stated in a fixed dollar (or other unit of currency) amount unless it is an allotment of net pay.

e. An employee may not have more than one allotment of pay payable to the same allottee at the same time.

f. Allotment of pay may be denied or restricted for U.S. citizen temporary employees or personal services contractors.

4 FAH-3 H-548.3-4 Initiation, Change or Discontinuance of an Allotment of Pay

(CT:FMP-65; 08-29-2011)

a. An allotment of pay may be initiated by submitting Form SF-1199-A, Direct Deposit Sign-Up Form, a FAST START Direct Deposit Sign-Up Form, or electronically through Employee Express. Employees are responsible for making the necessary arrangements with their banks or other financial institutions for the disposition of allotment payments prior to the submission of Form SF-1199-A. Form DS-1992, Allotment of Pay-Application and Authorization to Make, Change or Discontinue, is used to request an allotment of pay to an individual or other instance not permitting payment by electronic funds transfer. All attempts should be made to issue discretionary allotments using direct deposit/electronic funds transfer.

b. An allotment is discontinued on:

(1) The written request of the allotter;

(2) The retirement, death, or separation from the service of the allotter; or

(3) Instructions from the Department of State, other agency, or the principal officer of the applicable agency or when conditions under which allotment was permitted no longer exist.

4 FAH-3 H-549 UNASSIGNED